

Submission of Data Regarding the Impact of Online Gaming on Land-based Casinos
Senate Budget and Taxation Committee Hearing on SB 603
February 28, 2024

Chairman Guzzone and Distinguished Members of the Senate Budget and Taxation Committee,

The iDevelopment and Economic Association (iDEA) is the leading trade association for the US online gaming industry. We are writing in support of SB603, with an amended tax rate. We thank Senator Watson for his leadership on this issue and his commitment to creating a regulated, safe, and economically advantageous online gaming industry to ensure Maryland thrives in the digital age.

iDEA was founded to advocate for responsible internet gaming policies that spur economic growth and protect consumers. Our membership represents every segment of this emerging industry and has vast experience operating in state-regulated jurisdictions across the United States, including in Maryland where our members are licensed as sports wagering operators and suppliers. iDEA is uniquely positioned to provide a 360-degree perspective into every internet gaming policy issue this Committee may consider.

In advance of the February 28th hearing on SB 603, our organization is pleased to share with you a study from Eilers & Krejcik Gaming (EKG) that assesses how online gaming impacts land-based casino performance. The report is the most comprehensive analysis conducted to date on this topic in the United States. The full report and summary are included in our testimony submission.

This critical issue was central to discussion at the hearing on iGaming legislation (HB 1319) in the House Ways and Means Committee earlier this week. Contrary to the unfounded claims that iGaming takes money and jobs out of the land-based casino ecosystem, this in-depth study looks at actual data from states with both iGaming and casinos. It reveals that, in addition to adding a revenue stream for land-based casino operators, online gaming helps boost revenue for operators' brick-and-mortar properties.

The study found an average quarterly revenue boost of +2.44% from the introduction of iGaming across the six U.S. states that currently have both land-based casinos and legal online gaming.

The EKG team of economists, data analysts and industry experts compared the quarterly growth rates of the six states that have legalized iGaming with a selection of land-based-only casino states. They found that five of the six states with legal iGaming outperformed the land-based group over the same time periods.

EKG also used advanced mathematical modeling techniques to study the potential impact of the introduction of iGaming in land-based casino states that have yet to legalize the online channel.

They concluded that the typical state would boost casino revenue by +1.7% annually after introducing iGaming.

As part of their research, EKG dissected a research note by Deutsche Bank, and a study on iGaming by The Innovation Group. Several methodological flaws were found in these studies when considering potential cannibalization.

Both failed to compare the time periods before and after each state launched online casinos - an obvious limitation if the goal is to study the impact of online casino introduction.

Other issues with the previous studies included double-counting population growth, ignoring the effects of COVID-19 on certain jurisdictions and including children as part of the potential population of gamblers. The result was an “apples-to-oranges” comparison.

The EKG methodology looks at the impact of online casinos on land-based casino revenue in each state that has launched online casinos individually. This more intuitive approach shows that online gaming has positively impacted land-based revenue.

Based on the information provided in this study, the overall benefits to the State of Maryland, we respectfully request a favorable report of SB603, as amended to reflect a competitive tax rate.